

## Chapter 2: Audit Methodology

### 2.1. Performance Audit of Turnaround Plan and Financial Restructuring Plan of AIL

The TAP and FRP of AIL was approved by Government in April 2012. Several of the turnaround measures were to be completed by March 2015. A significant quantum of Government equity had also been infused into the Company. It was in this context that a Performance Audit of turnaround plan of AIL and its effect on the financial condition of the company was taken up. The Performance Audit was carried out on the basis of the records and documents made available by AIL, Ministry of Civil Aviation (MoCA) and Director General of Civil Aviation (DGCA).

### 2.2. Audit Objectives

The audit objectives included examining whether

- The financial restructuring of Air India Limited was implemented as per Financial Restructuring Plan and whether it achieved the intended goals.
- Bilateral entitlements were effectively utilised by the Company and slots available to AIL in various airports were managed efficiently.
- Activities of the Company were carried out as per Turnaround Plan and in a manner contributing to turnaround in its operations.
- The restructuring efforts of the Company (financial and operational) were monitored effectively.

### 2.3. Audit Criteria

The criteria on the basis of which the performance on TAP/FRP was assessed included provisions of:-

- Turnaround Plan and Financial Restructuring Plan of Air India Limited as approved by Government
- Recommendations of Group of Officers, Group of Ministers and Oversight Committee constituted by Government.
- Internal guidelines, manuals of the Company
- Directives of Ministry of Civil Aviation, Director General of Civil Aviation and
- Decisions of Board of Directors of AIL

### 2.4. Scope of Audit

The scope of audit included assessment of the operational and financial management of AIL, during the period from 2010-11 to 2015-16, with a focus on its turnaround plan. In particular, Audit assessed the fleet induction, deployment and operation of fleet, network planning, route rationalisation, management of bilateral rights, slot management, asset monetisation, hiving

off MRO and GH activities, human resources management, integration of IT platform of the Company and the resultant operational efficiency achieved by the Company during this period.

## **2.5. Audit Methodology**

An entry conference was held on 6 May 2015 where audit objectives, scope and methodology were discussed with the Management.

Field audit was undertaken from May 2015 to November 2015. This included collection of information, verification of records including scrutiny of agenda and minutes of Board Meetings of AIL. The draft audit report was issued to the Management on 27 November 2015 and its replies received during February 2016. The draft audit report after examination of the responses of Management was issued to MoCA on 27 June 2016. Replies of MoCA were received on 30 August 2016, 2 September 2016 and 6 September 2016.

An Exit Conference with MoCA and Management of AIL to discuss the audit findings and recommendations of the Report was held on 26 October 2016. The views expressed by MoCA and AIL, during this meeting have been suitably incorporated in the Report.

Audit has attempted to examine the operational and financial functioning of AIL that would impact its Turnaround Plan. It is evident that the Management continued to face challenges in their efforts to turn around the Airline.